Before the Federal Communication Commission Washington, D.C. 20554

In the Matter of)
Federal-State Joint Board)
On Universal Service) CC Docket No. 96-45
)
)

Comments Of Fred Williamson and Associates, Inc. ("FW&A") On behalf of:

Chouteau Telephone Company, an Oklahoma ILEC
H&B Telephone Communications, Inc., a Kansas ILEC
Moundridge Telephone Company, Inc., a Kansas ILEC
Pine Telephone Company, Inc., an Oklahoma ILEC
Pioneer Telephone Association, Inc., a Kansas ILEC
Totah Telephone Company, Inc., a Kansas and Oklahoma ILEC
Twin Valley Telephone, Inc., a Kansas ILEC

INDEX

INDEX		
(A) Background and Summary of Comments	Page 3	
(B) The Act Does Not Preclude The Joint Board From Requiring That All ETC Provide Equal Access To Interexchange Services. In Fact, The Act Requires All Universal Service Providers To Provide Equal Access.	5-12	
1. The Commission has the Authority to require CMRS ETCs to provide equal access.		
2. Denial of equal access by CMRS ETCs is contrary to the public interest.		
3. Denial of equal access by ETCs that are CMRS carriers is at odds with the Act's Universal Service requirements and the public interest.		
4. Equal Access complies with the Universal Service definition guidelines provided in the Act.		
(C) The Absence Of The Requirement For CMRS ETCs To Provide Equal Access Is Not In The Public Interest.	12-18	
1. The objective of interexchange competition through equal access was to promote universal service. Equal access insured that affordable long distance rates and services would be available in rural areas and would be comparable to those offered in urban areas.		
2. Universal access to a single interexchange carrier does not satisfy the Act's requirements for ETCs.		
3. The notion that equal access is not required for CMRS ETCs because customers can obtain equal access through their landline phone or through the CMRS ETC on a dial around basis, is wrong and at odds with the Act.		
4. Allowing CMRS ETC carriers to avoid providing equal access is at odds with the universal service policy of technological neutrality and would sanction a policy that is biased towards wireless technology.		
5. Requiring CMRS ETCs to provide equal access does not inhibit that		

local competition and reduce customer choice in rural areas.

carrier's ability to offer bundles of any-distance minutes.

(D) Conclusion.

Requiring CMRS ETCs to provide equal access will not undercut

18

(A)

Background and Summary of Comments

FW&A is a consulting firm located in Tulsa, Oklahoma that represents small rural Incumbent Local Exchange Carriers (ILECs) that operate in Kansas and Oklahoma. The Commission has requested comments on the Recommended Decision of the Joint Board regarding whether any services should be added to or removed from the definition of services supported by universal service. In particular, FW&A's comments focus on whether equal access to interexchange services should be added to the list of supported services and whether such addition satisfies the Acts Section 254(c) criteria.

FW&A believes the Act's requirements are clear and require that equal access be added to the list of supported services. FW&A's comments show that:

- The public interest and Sections 254(b)(1) and 254(b)(3) of the Act require that equal access be provided by all Eligible Telecommunication Carriers (ETCs), including Cellular Mobile Radio Service (CMRS) ETCs in order to insure that consumers in rural, insular and high cost areas have access to affordable interexchange services that are similar in price and services to those available in urban areas.
- Unless equal access is a requirement for all ETCs, CMRS ETCs will extract monopoly profits from their captive long distance customers, in violation of Section 254(b).
- Section 332(c)(8) gives the Commission the authority to require CMRS ETCs to provide equal access if it finds that such a requirement is in the public interest. The excessive per minute rates charged by CMRS ETCs for long distance calling, in violation of Section 254(b), requires such a finding by the Commission.
- Equal access complies with the Act's definitional principles in Section 254(c), and therefore must be added to the list of supported services:
 - (A) In compliance with principle (A), a customer's ability to select and change interexchange carriers through equal access service precludes CMRS ETCs from charging high, monopolistic interexchange rate levels to captive customers

- in rural, insular and high cost areas. This allows reasonably priced access to educational, public health and public safety services, where those services must be accessed via long distance service.
- (B) Equal access also complies with principle (B). The fact that equal access was mandated as a customer service is as irrelevant as the fact that one party service was mandated by many State Commissions. What is relevant at this juncture is that equal access, like one party service, is provided to, or subscribed to by a substantial majority of residential customers.
- (C) With the exception of CMRS carriers, all LECs are deploying facilities necessary to provide equal access in their telecommunications networks, and thus equal access complies with principle (C).
- (D) Access to interexchange services in rural, insular and high cost areas, whose rates are affordable and comparable to those in urban areas is defined by the Act, Section 254(b), to be in the public interest. In compliance with principle (D), such access to reasonably priced long distance services is only possible through equal access.
- Interexchange competition through equal access was not solely an antitrust remedy to sanction AT&T nor was interexchange competition for competition's sake the goal of equal access. Instead, the goal of the equal access policy was a universal service goal reasonable and affordable long distance services, with rates and services comparable to those offered in urban areas.
- Access to only a single interexchange carrier allows the CMRS provider to charge rates for long distance service that do not conform with the Act's universal service requirements.
- Customers are more frequently using CMRS ETCs as their only service provider. These customers do not have the option to use the landline LEC's ETCs equal access services to obtain access to affordably priced long distance service. Likewise, dial around is unlikely to be a viable option to obtain affordable and reliable long distance service.
- The Commission's policy (developed and executed in CC Docket 78-72) is to promote universally available and affordable long distance service by allowing customers to select the long distance carrier of their choice. In view of this policy, rather than making up reasons to excuse certain ETCs (Wireless) from provision of equal access service, the Commission should correctly apply the technology principal and insure that all ETCs, irrespective of technology, provide equal access as a public interest, universal service.

- A requirement to provide equal access will not hamper the ability of a CMRS ETC to offer bundles of any-distance minutes, but does constrain their ability to extract monopoly profits from captive long distance customers.
- Given the availability of support funding, CMRS carriers that are ETCs can easily continue to serve rural areas profitably, even with a requirement to provide equal access service. It is also unlikely that localized rural CMRS carriers and national CMRS carriers that are entering rural markets will abandon their business plans and exit these markets if they seek ETC status and are required to provide equal access service.

<u>(B)</u>

The Act Does Not Preclude The Joint Board From Requiring That All ETCs Provide Equal Access To Interexchange Carrier Services. In Fact, The Act Requires All Universal Service Providers To Provide Equal Access.

In the Recommended Decision, a view is expressed that requiring Wireless or CMRS

carriers that are ETCs to provide equal access to long distance services would violate Section 332(c)(8). This section of the Act provides that commercial mobile radio service carriers "...shall not be required to provide equal access to common carriers for the provision of telephone toll services." If read in isolation from other provisions of the Act, this provision seems "crystal clear" and a definitive pronouncement that in all circumstances, CMRS carriers that are ETCs are not required to provide equal access. However, this view ignores public interest and universal service sections of the Act that require ETCs to provide services in rural and high cost areas, such as equal access, that result in just, reasonable and affordable rates, comparable to the services and rates provided in urban areas.

1. The Commission has the Authority to require CMRS ETCs to provide equal access.

Section 332(c)(8) provides that if subscribers are denied equal access, and if that denial is contrary to the public interest, then the Commission shall require CMRS carriers to provide equal access:

"If the Commission determines that <u>subscribers</u> to <u>such services</u> are denied access to the provider of telephone toll services of the <u>subscribers</u>' choice, and that such denial is contrary to the <u>public</u> interest, convenience, and necessity, then the Commission shall <u>proscribe regulations</u> to afford <u>subscribers unblocked access</u> to the provider of telephone toll services of the <u>subscribers</u>' choice through the use of a carrier identification code assigned to such provider or other mechanism."

This provision of Section 332(c)(8) makes it very clear that the Commission has the authority, under the Act to require CMRS carriers that are designated as ETCs to provide equal access. CMRS ETCs are denying to their customers access to the provider of telephone toll services of the customers choice and that denial is contrary to the public interest, convenience, and necessity.

2. Denial of equal access by CMRS ETCs is contrary to the public interest.

Section 1 of the Act provides that Universal Service is the primary public interest goal of the Act:

"For the purpose of regulating interstate and foreign commerce in communications by wire and radio so as to make available, so far as possible, to all the people of the United States, without discrimination on the basis or race, color, religion, national origin, or sex, a rapid, efficient, Nation-wide, and world-wide wire and radio communications service with adequate facilities at reasonable charges..."

In order to provide universal service in rural and high cost areas, ETC's must provide access to interexchange services at just, reasonable and affordable rates that are

reasonably comparable to those provided in urban areas. In fact, however, CMRS carriers that are ETCs do not provide access to reasonably and affordably priced long distance services, comparable to those available in urban areas. CMRS providers typically induce customers to commit to service plans for one to two years. During this period, the provider has a captive customer that has no alternative for long distance service other than the CMRS provider. The rates charged by CMRS providers for long distance are somewhat deceiving and typically, customers pay more for placing long distance calls on their cell phone than wireline customers that have long distance carrier choices due to the availability of equal access. For example, one CMRS ETC in Kansas¹ provides a "universal service" rate of \$20.00 with 60 anytime minutes.² Its rate schedule claims that access to long distance and long distance services (per minute) is free. However, the roaming rate listed by the CMRS ETC in its rate schedule is 59 cents per minute. Additionally, if a customer exceeds the 60 minute any time limit, the additional airtime charge is 39 cents per minute for both originating and terminating minutes. Finally, although the per minute rate for the entire set of included minutes is 3.6 cents per minute³, if a customer uses primarily anytime minutes, the actual rate is 33 cents per minute.⁴

Use of the wireless set for long distance calls provides the customer with no alternatives for obtaining long distance service at a lower rate. Clearly, the typical average charge per

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¹ Cellular One, a.k.a. Western Wireless.

² Information obtained from Cellular One website www.cellularone.com/rateplans.asp Although an additional 250 nighttime and 250 weekend minutes come with the basic plan, only 60 minutes are available for use at anytime of the day. Western Wireless (Cellular One) has been designated as an ETC in areas where it has requested this designation in Kansas.

³ The 3.6 cents per minute assumes that a consumer will use 60 minutes of anytime usage, 250 minutes of nighttime usage and 250 minutes of weekend usage as allowed by Western Wireless' basic plan. The basic rate of \$20.00 divided by 560 minutes is approximately 3.6 cents per minute.

⁴ The 33 cents per minute assumes that a customer will only use the 60 anytime minutes.

minute for the "monopoly" use of the CMRS ETC carriers' interexchange service is not in the public interest.⁵ This average interexchange toll charge is well in excess of the 5 to 15 cents per originating minute that is charged in rural and urban areas for interexchange services that are available through equal access by wireline ETCs. As this example demonstrates, CMRS ETCs that provide "monopoly" access to their long distance service are not likely to provide that access to a long distance service that is priced at a just, reasonable and affordable rate, reasonably comparable to those offered in urban areas. The setting of exorbitant rates by CMRS ETCs for the use of interexchange or long distance services by captive customers is not atypical for wireless providers and is what the Commission sought to avoid when in CC Docket No. 78-72, it enacted the equal In that Docket, through the equal access requirement, the access requirement. Commission provided customers with a choice of interexchange carriers, and discouraged the monopolistic rates that could be extracted by a single long distance provider. Equal access allows customers to choose a different interexchange carrier with lower long distance rates. This promotes competition and encourages lower rates. The lack of choice for long distance services inherent in the offerings of CMRS carriers that are ETCs⁶, and thus receive universal service funding, is at odds with the Section 254 universal service requirements of the Act and is not in the public interest. Consequently, the Commission can and should, as allowed by Section 332(c)(8), require CMRS providers that are designated as ETCs to provide equal access to reasonably priced long

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⁵ These rate levels should lead the Commission and various state commissions to reexamine the public interest that is served by allowing CMRS providers to qualify as ETCs in rural areas without a cost based showing of need. The Commissions should also reevaluate what public interest is served by supporting a CMRS ETC with universal service funding when the rates charged by the CMRS carrier are not reasonable and affordable, nor comparable to those offered in urban areas.

⁶ Like the offering of Western Wireless in Kansas.

distance services. This requirement will provide market discipline that will restrain the excessive prices CMRS ETCs charge for their long distance services in rural and high cost areas.

3. Denial of equal access by ETCs that are CMRS carriers is at odds with the Act's Universal Service requirements and the public interest.

To enact the public interest goal specified in Section 1 of the Act, Congress proscribed Sections 214(e) and 254 that provide for universal service funding for qualified ETCs in order to insure that consumers in rural, insular and high cost areas have access to basic advanced and interexchange services at reasonable charges that are comparable to the services and charges available in urban areas. Specifically, the Act states in Section 254 (b) that:

"The <u>Joint Board and the Commission shall base policies for the preservation and advancement of universal service</u> on the following principles:

- (1) QUALITY AND RATES-Quality <u>services should be available at just, reasonable, and affordable rates...</u>
- (3) ACCESS IN RURAL AND HIGH COST AREAS-Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charges for similar services in urban areas."

These requirements are clear with regard to access to interexchange services provided by ETCs:

• Interexchange rates to which the customers have access must be just, reasonable and affordable.

 Access to interexchange services shall provide for comparable interexchange services and rates between rural and urban areas.

As demonstrated by the Kansas CMRS carrier, ETCs that are not required by the Commission to provide equal access, as expected by the public interest provision in the Act in Section 332(c), will not comply with these Section 254 universal Service requirements. Instead, at odds with the public interest, CMRS ETCs have every incentive to extract monopoly profits from their captive long distance customers.

4. Equal Access complies with the Universal Service definition guidelines provided in the Act.

Section 254 (c) of the Act provides guidance to the Joint Board and Commission as to which universal services shall be provided by ETCs. These are services that:

- "(A) Are essential to education, public health, or public safety;
- (B) Have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;
- (C) Are being deployed in public telecommunications networks by telecommunications carriers; and
- (D) Are consistent with the public interest, convenience, and necessity."

In compliance with guideline (D), access to interexchange services in rural, insular and high cost areas whose rates are affordable and comparable to those in urban areas is defined by the Act, Section 254(b), to be in the public interest. As discussed previously, such access to reasonably priced long distance services is only possible through equal access.

Further, in compliance with guidelines (A) and (D), access to affordable interexchange services and rates is essential in rural and insular areas. In those areas low customer density service areas, there are fewer interexchange carriers that are willing to provide

service because of the higher costs and lower aggregate customer usage levels. Wireline equal access has allowed rural, insular and high cost customers to, through market choice, select a reasonably priced interexchange carrier. The customer's ability to select and change interexchange carriers through a wireline LEC's equal access service has precluded interexchange carriers from charging high, monopolistic interexchange rate levels to captive customers in rural, insular and high cost areas. Simple access to interexchange services, without customer choice through equal access, will not allow, as the Kansas wireless ETCs monopolistic long distance rates demonstrate, customers to access essential educational, public health or public safety organizations at reasonable and affordable rate levels. Unreasonable rate levels for interexchange services, as may be charged by monopolistic access to only one interexchange carrier, may deter customers from accessing these essential services. Consequently, because of equal access, customers in these areas that are served by wireline LEC ETCs may use reasonably priced interexchange services, if necessary for educational, public health or public safety needs. Because equal access complies with guidelines (A) and (D), in that it is in the public interest and is essential to education, public health and public safety, it must also be a requirement for all ETCs, including CMRS ETC carriers.

Equal access also complies with guideline (B). Equal access to interexchange carriers is provided to, and thus subscribed to, by the substantial majority of residential customers. At odds with comments in the Recommended Decision, equal access is a customer choice service provided by LEC ETCs. As envisioned by the Commission when it mandated equal access, this public interest requirement deters interexchange carriers from charging monopolistic rates for their services. This requirement is essential in rural and insular

areas to insure reasonably priced and comparable services to those provided in urban areas. The fact that this customer service was mandated is as irrelevant as the fact that one party service was mandated by many State Commissions. What is relevant at this juncture, is that equal access, like one party service, is provided to, or subscribed to by a substantial majority of residential customers. Equal access is precisely the kind of public interest service that Congress envisioned as part of the definition of Universal Service. Finally, equal access complies with guideline (C) for services to be included in the definition of Universal Service. With the exception of CMRS carriers, all LECs are deploying facilities necessary to provide equal access in their telecommunications networks

<u>(C)</u>

The Absence Of The Requirement For CMRS ETCs To Provide Equal Access Is Not In The Public Interest.

1. The objective of interexchange competition through equal access was to promote universal service. Equal access insured that affordable long distance rates and services would be available in rural areas and would be comparable to those offered in urban areas.

In the Recommended Decision, opponents of adding equal access to the definition of universal services contend that equal access was established as an antitrust remedy to promote interexchange competition, and not as a universal service policy. This observation reflects a misunderstanding of both the intent and result of the mandate to implement equal access as ordered by the Commission in CC Docket No. 78-72.

The goals of promoting competition and universal service have always had the same public policy objective – to provide lower and more reasonable and affordable customer rate levels by allowing customers a market choice of providers. The universal service public policy objective to have reasonable and affordable interexchange long distance services in all areas of the nation (urban and rural) was accomplished by the Commission's mandate to require wireline equal access as a service for customers. Interexchange competition through equal access was not solely an antitrust remedy to sanction AT&T nor was interexchange competition for competitions sake the goal of equal access. Instead, the goal of the equal access policy was a universal service goal – reasonable and affordable long distance services, with rates and services comparable to those offered in urban areas.

At odds with comments in the Recommended Decision, proponents of equal access in the definition of universal service are not expressing a desire to see greater competition in interexchange markets. Instead, these proponents want to insure that the Commission's pro-competitive, universal service equal access policy remains intact for carriers that hold themselves out as universal service carriers or ETCs. Excluding CMRS ETCs from the equal access mandate allows those carriers to receive universal service funding while implementing long distance rate structures (as demonstrated by the Kansas wireless ETC) that, at odds with the Act's provisions, are unaffordable and not comparable with those offered in urban areas. Customers are captive to this anti-consumer rate structure (for at least the two-year commitment period for Western Wireless) and must completely change providers for all of their services (local and long distance) or also subscribe to wireline service if they want more affordable long distance service rate levels.

2. Universal access to a single interexchange carrier does not satisfy the Act's requirements for ETCs.

Opponents of equal access as part of the definition of universal service in the Recommended Decision conclude that such inclusion is unnecessary because access to an interexchange carrier is already universal. This observation is correct – even CMRS providers, including CMRS ETCs, now provide access to one interexchange carrier. Unfortunately, access to only a single interexchange carrier allows the CMRS provider to charge rates for long distance service that do not conform with the Act's universal service requirements. Because their customers do not have an equal access choice, CMRS ETCs may and do charge rates for rural long distance service that are unaffordable and that are not comparable to those services and rates offered in urban areas.

The Act requires, in Section 254, that customers in rural, insular and high cost areas have access to interexchange services that are affordably priced and that those services and rates are reasonably comparable to those provided in urban areas. This requirement can only be implemented if all ETCs, including CMRS ETCs are required to provide, not access just to one interexchange carrier, but equal access to multiple interexchange carriers. Such equal access will constrain, through market choice, long distance rates to reasonable and affordable levels. This requirement, only for ETCs, is not an "intrusive and backward-looking regulatory requirement for CMRS carriers" that apply to be ETCs, but instead is in the public interest because CMRS and LEC ETCs are required to allow customers a choice, leading to more affordable long distance rates in rural, insular and high cost areas.

3. The notion that equal access is not required for CMRS ETCs because customers can obtain equal access through their landline phone or through the CMRS ETC on a dial around basis, is wrong and at odds with the Act.

The view, expressed in the Recommended Decision, that equal access should not be included as part of the definition of universal services for all ETCs, including CMRS ETCs, because customers can simply obtain that service from their landline LEC ETC if they cannot obtain the choice of a long distance service at reasonable rates from their CMRS ETC carrier, is wrong. Customers are more frequently using CMRS ETCs as their only service provider. These customers do not have the option to use the landline LEC's ETCs equal access service to obtain access to affordably priced long distance service. Likewise, dial around is unlikely to be a viable option to obtain affordable and reliable long distance service, since the customer will incur usage-based charges regardless from the cellular provider even though they dial-around for long distance service. In fact, dial-around is a more expensive alternative, because not only will the customer incur the usage-based charges from the cellular provider, but will also incur additional long distance charges from the dial-around provider. The Act requires ETCs that are supported by universal service funding to provide access to affordably priced long distance services. This can only be accomplished for consumers if CMRS ETCs provide equal access. These carriers should not be allowed to avoid this obligation. If they choose to provide service as an ETC in a rural, insular or high cost area, they should not require their customers, for whom they are receiving support, to go to a landline provider, if available, to obtain access to the affordable long distance service the Act requires.

4. Allowing CMRS ETC carriers to avoid providing equal access is at odds with the universal service policy of technological neutrality and would sanction a policy that is biased toward wireless technology.

Equal access is a customer service allowing access to the long distance carrier of the customer's choice and is not a function of any particular technology. Both wireless and wireline carriers can, with the proper facility upgrades and software, provide the equal access service. It is a distortion of the technological neutrality principle established by the Commission to claim that wireless service is disadvantaged and the technology neutrality principle violated if wireless ETC carriers are required to provide equal access service for their customers. In fact, because wireline LEC ETCs are required to provide equal access (in the public interest to meet universal service goals) while wireless ETCs are not required to meet this public interest universal service obligation, the Commissions current policy is technologically biased in favor of, not against wireless service. The Commission's policy (developed and executed in CC Docket 78-72) is to promote universally available and affordable long distance service by allowing customers to select the long distance carrier of their choice. The ability to choose long distance providers through equal access service, in order to maintain reasonable rates is particularly critical in rural, insular and high cost areas. In view of this policy, rather than making up reasons to excuse certain ETCs (Wireless) from provision of equal access service, the Commission should correctly apply the technology principal and insure that all ETCs, irrespective of technology, provide equal access as a public interest, universal service.

5. Requiring CMRS ETCs to provide equal access does not inhibit that carrier's ability to offer bundles of any-distance minutes.

Requiring CMRS ETCs to provide a service that promotes the public interest and satisfies the requirements of Section 254 of the Act has no effect on a wireless carrier's ability to continue to provide any service those carriers desire, including bundles of any-distance minutes. This requirement will not hamper the ability of a wireless carrier to provide services, but will constrain their ability to extract monopoly profits from captive long distance customers. As demonstrated previously in these comments, without constraint, CMRS ETCs will charge monopolistic rate levels for long distance service – 59 cents per minute for roaming and 39 cents per originating and terminating minute when the block of time purchased is exceeded.

6. Requiring CMRS ETCs to provide equal access will not undercut local competition and reduce customer choice in rural areas.

The view was expressed in the Recommended Decision that requiring CMRS carriers to provide equal access as a condition of ETC designation would cause those CMRS carriers to choose not to serve rural markets and thus reduce the customer's choice of a local service provider. This view is incorrect for a number of reasons:

- Many of the CMRS providers that serve rural markets are affiliated with rural LECs. It is very unlikely that these localized rural CMRS carriers will exit the market because of a requirement to provide equal access if they seek to be an ETC.
- National CMRS carriers are in the process of building out their networks to serve rural markets in order to provide more expansive calling areas for their

customers. This larger calling area makes the CMRS carrier's service more valuable to its customers. As a consequence, it is unlikely that the requirement to provide equal access, if they seek ETC status, will deter these CMRS carriers from their business plans.

 Given the availability of support funding, CMRS carriers can easily continue to serve rural areas profitably, even with a requirement to provide equal access service.

(D)

Conclusion

There are no persuasive or valid reasons to exempt CMRS ETCs from the obligation to provide equal access service. Congressional intent is clear. Congress intended that either:

- (a) CMRS carriers were not to receive universal service support because their rates, entry and services are not regulated under the Act and therefore they are under no obligation to provide universal services, including interexchange services through equal access at reasonable or affordable rates comparable to those provided in urban areas or,
- (b) If CMRS carriers request and receive support, the public interest and universal service provisions of the Act take precedence and are applicable to all providers, irrespective of the technology used. In this circumstance, the Act gives the Commission in Section 332(c)(8), the authority to require CMRS ETCs to provide equal access service.

Such a requirement will enhance customer choice leading to lower CMRS rates.

Respectfully submitted on behalf of the ILECs by,

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